

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 NEA-10 H-01 ISO-00 COME-00 TRSE-00
ACDA-07 CIAE-00 INR-07 IO-13 L-03 NSAE-00 NSC-05
NRC-05 OES-07 FEAE-00 DODE-00 ERDA-05 SS-15 SP-02
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FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC PRIORITY 8164
INFO AMEMBASSY CAIRO
AMEMBASSY PRETORIA

C O N F I D E N T I A L TEL AVIV 6694

E.O. 11652: GDS
TAGS: EMIN, ENRG, MNUC, IS, SF
SUBJECT: ISRAEL TO BUY URANIUM ORE FROM SOUTH AFRICA

1. FOLLOWING UP ON A RECENT REMARK TO THE AMBASSADOR
BY FOREIGN MINISTER DAYAN THAT THE GOI PLANNED TO SIGN
A LONG-TERM CONTRACT FOR NUCLEAR FUEL WITH SOUTH AFRICA,
EMBOFFS CALLED ON MINISTER OF ENERGY YITZHAK MODAI
SEPTEMBER 6 FOR DETAILS OF THIS TRANSACTION. AS EXPLAINED
BY MODAI, THE GOI IS NEGOTIATING WITH A PRIVATE SOUTH
AFRICAN MINING COMPANY FOR 1600 MT OF URANIUM
ORE (PROBABLY YELLOW CAKE) SPREAD EQUALLY OVER EIGHT YEARS TO BE
PROCESSED IN THE U.S. FOR USE AS FUEL IN THE TWO 960 MW RE-
ACTORS IT EXPECTS TO ACQUIRE FROM US. DELIVERIES ARE TO BEGIN
IN 1978. ISRAEL WILL MAKE AN ADVANCE PAYMENT TO FINANCE START-UP
COSTS OF THE NEW MINE, WHICH IS TO BE IN OPERATION BY
1980. THE ADVANCE WILL BE REPAID IN URANIUM WITH THE
1978 AND 1979 ORE COMING FROM EXISTING COMPANY SOURCES.
NORMAL COMMERCIAL PRICES WILL APPLY, ACCORDING TO MODAI,
AND ISRAEL WILL BE RELEASED FROM THE CONTRACT IF COMPANY
PRICES EXCEED THOSE OF OTHER WORLD SUPPLIERS. FINAL
NEGOTIATIONS ARE NOW BEING COMPLETED (SUCH AS GOI IN-
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SISTINCE ON A NON-SOUTH AFRICAN COMMERCIAL GUARANTEE
FOR REPAYMENT OF THE ISRAELI DOWN PAYMENT) AND MODAI
EXPECTS THE CONTRACT TO BE SIGNED SOON.

2. DURING THE DISCUSSION, THE MINISTER STRESSED THAT
THIS TRANSACTION RESULTED FROM ISRAEL'S INABILITY TO
FIND A U.S. SOURCE OF ORE TO BE PROCESSED INTO FUEL

UNDER ITS AGREEMENT WITH THE USG. HE SAID THE GOI DID NOT PLAN TO PUBLICIZE THE CONTRACT BUT THAT IT MIGHT BE PICKED UP BY THE PRESS HERE OR ELSEWHERE.

3. MODAI ASKED ABOUT THE OUTLOOK FOR U.S. APPROVAL OF THE SALE OF THE TWO REACTORS TO ISRAEL. THE EMBOFFS EXPLAINED THAT NO ACTION WAS EXPECTED UNTIL AFTER THE CONGRESS HAS COMPLETED CONSIDERATION OF PRESIDENT CARTER'S PENDING NON-PROLIFERATION LEGISLATION. MODAI COMMENTED THAT HE REMAINED OPTIMISTIC AND THAT THE GOI WOULD DECIDE HOW TO PROCEED WHEN THE NEW LAW IS ENACTED.

4. ACTION REQUESTED: THE EMBASSY WOULD APPRECIATE THE DEPARTMENT'S LATEST ESTIMATE OF THE LIKELY TIMING AND OUTCOME OF CONGRESSIONAL ACTION ON THE SAFEGUARDS BILL AS WELL AS ANY COMMENTS YOU HAVE ON THE ISRAELI ORE PURCHASE.
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Message Attributes

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Disposition Approved on Date:
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